

Morning Brief

Today's Outlook:

Government Bonds

BI 7-DRRR and NPI Support Weekend Market. Last Thursday, the results of the Bank Indonesia (BI) Board of Governors (RDG) Meeting for the November 2020 period decided to lower the BI 7 Day Reverse Repo Rate (BI 7-DRRR) by 25 bps to 3.75%. This is beyond market expectations, which according to a Bloomberg survey remains at the 4% level. This means that the BI 7-DRRR is now at its lowest position since its introduction in August 2016 replacing the BI Rate. BI also lowered the Deposit Facility rate to 3% and the Lending Facility rate now at 4.5%. Meanwhile, this decision takes into account the predicted low inflation, maintained external stability and measures for national economic recovery. In the same week, obligator market players also responded positively to the Indonesian Balance of Payments (BOP) in 3Q20 to a surplus of USD 2.1 billion, continuing to achieve a surplus of USD 9.2 billion in the previous quarter. The continuing balance of payments surplus is supported by surpluses from the current account as well as the capital and financial account. At the close of last Friday, the yield on the benchmark series Government Securities (SUN) FR0082 closed at 6.19% and FR0083 remained at the psychological level of 7%.

Corporate Bonds

Pefindo has assigned an idAAA rating to the SMF bonds. The Indonesian Securities Rating Agency (Pefindo) affirmed the idAAA rating for the Sustainable Bond IV Phase III Year 2018 Series B worth IDR 800 billion and Sustainable Bond Phase III Year 2020 Series A worth IDR 1.46 trillion owned by Sarana Multigriya Finansial (Persero) or SMF. Pefindo said that each of the bonds will mature on February 20, 2021 and February 28, 2021. The plan is for the company to pay off the bonds using internal funds. For the record, SMF's cash and cash equivalents reached IDR 4.4 trillion by the end of September 2020. According to Pefindo, the obligor's ability to meet long-term financial obligations on debt securities is superior compared to other obligors in Indonesia. (Kontan)

Macroeconomy

Indonesia's balance of payments 3Q20 surplus of USD 2.1 billion. BI noted that Indonesia's balance of payments surplus in 3Q20 was USD 2.1 billion. This figure is lower than the 2Q20 surplus of USD 9.2 billion. This continuing surplus is supported by a current account surplus as well as a capital and financial account. When detailed, the 3Q20 current account balance posted a surplus of USD 1.0 billion, equivalent to 0.4% of GDP. Typically, the current account balance prints a deficit. The current account surplus was bolstered by a surplus in the goods balance, in line with the improvement in export performance amidst restrained import activity in line with weak domestic demand. (Kontan)

Recommendation

Investors are watching the sentiment for the development of the Covid-19 vaccine, and the policies of Joe Biden. This allows market participants to use it to buy selectively gradually. NHKSI Research projects that SUN yield will increase, although it is limited this week. The 10-year SUN yield is estimated to range from 6.10-6.30%, amid potential profit taking after last week's rally. Market players are also watching external data, such as: US GDP, durable goods orders, and minutes of the FOMC meeting. At the end of the week, the rupiah exchange rate closed slightly lower by 0.07% to IDR 14,165 / USD on the spot market. Meanwhile, BI's middle rate weakened 0.43% to the level of 14,228 / USD.

Indonesia Macroeconomic Data

Monthly Indicators	Last	Prev.	Quarterly Indicators	Last	Prev.
BI 7 Day Rev Repo Rate	3.75%	4.00%	Real GDP	-3.49%	-5.32%
FX Reserve (USD bn)	133.66	135.15	Current Acc (USD bn)	0.96	(2.94)
Trd Balance (USD bn)	3.61	2.44	Govt. Spending Yoy	9.76%	-6.90%
Exports Yoy	-3.29%	-0.51%	FDI (USD bn)	3.92	4.56
Imports Yoy	-26.93%	-18.88%	Business Confidence	104.82	105.33
Inflation Yoy	1.44%	1.42%	Cons. Confidence*	79.00	83.40

PRICE OF BENCHMARK SERIES

FR0081 (5yr): +1.4 Bps to 105.40 (5.15%)
FR0082 (10yr): +4.4 Bps to 105.85 (6.19%)
FR0080 (15yr): +2.0 Bps to 107.47 (6.68%)
FR0083 (20yr): +0.3 Bps to 105.19 (7.00%)

FR0086 (6yr): +0.7 Bps to 101.47 (5.18%)
FR0087 (11yr): +4.5 Bps to 102.18 (6.20%)

CDS of Indonesia Bonds

CDS 2yr: +3.25% to 30.13
CDS 5yr: +2.24% to 79.19
CDS 10yr: +2.50% to 144.37

Government Bond Yields & FX

	Last	Chg.
Tenor: 10 year	6.22%	0.04%
USDIDR	14,165	0.07%
KRWIDR	12.69	-0.12%

Global Indices

Index	Last	Chg.	%
Dow Jones	29,263.48	(219.75)	-0.75%
S&P 500	3,557.54	(24.33)	-0.68%
FTSE 100	6,351.45	17.10	0.27%
DAX	13,137.25	51.09	0.39%
Nikkei	25,527.37	(106.97)	-0.42%
Hang Seng	26,451.54	94.57	0.36%
Shanghai	3,377.73	14.64	0.44%
KOSPI	2,553.50	6.08	0.24%
EIDO	21.58	(0.14)	-0.64%

Commodities

Commodity	Last	Chg.	%
Gold (USD/t oz)	1,871.0	4.5	0.24%
Crude Oil (USD/B)	42.42	0.52	1.24%
ICE NewCastle (USD/ton)	65.35	1.00	1.55%
LME Nickel (USD/MT)	16,151	317.0	2.00%
LME Tin (USD/MT)	18,795	65.0	0.35%
CPO (MYR/ton)	3,288	(54.0)	-1.62%

Date	Country	Hour Jakarta	Event	Period	Actual	Consensus	Previous
Tuesday	EC	16:00	Markit Eurozone Manufacturing PMI	Nov	--	--	54.8
23 - Nov	EC	16:00	Markit Eurozone Composite PMI	Nov	--	--	50
	UK	16:30	Markit UK PMI Manufacturing SA	Nov	--	--	53.7
	US	21:45	Markit US Manufacturing PMI	Nov	--	52.5	53.4
Wednesday	GE	14:00	GDP SA QoQ	3Q20	--	--	8.20%
24 - Nov	GE	16:00	IFO Expectations	Nov	--	--	95
	US	22:00	Conf. Board Consumer Confidence	Nov	--	98	100.9
Thursday	US	19:00	MBA Mortgage Applications	Nov	--	--	-0.30%
25 - Nov	US	20:30	GDP Annualized QoQ	3Q20	33.10%	33.10%	33.10%
	US	20:30	GDP Price Index	3Q20	3.60%	3.60%	3.60%
	US	20:30	Initial Jobless Claims	Nov	--	--	--
	US	20:30	Durable Goods Orders	Oct	1.30%	1.30%	1.90%
	US	22:00	Personal Spending	Oct	0.60%	0.60%	1.40%
	US	22:00	New Home Sales	Oct	968k	968k	959k
Friday	EC	16:00	M3 Money Supply YoY	Oct	--	--	10.40%
26 - Nov							

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